

# AUDIT DIVISION

**FUNCTION:** Encourage voluntary compliance with all tax laws by conducting audits of individuals, partnerships, estates, trusts, corporations and any tax returns or documents filed with the Department.

**F**unction: The Audit division is comprised of three bureaus that are functionally oriented. The Multi-state Bureau audits primarily large and mid-size businesses operating internationally or in multiple states. Their focus primarily is the Business Profits Tax and Business Enterprise Tax. The In-state Bureau primarily audits smaller corporate, partnership and individual businesses operating solely in New Hampshire or within a couple of states. They are also responsible for Meals & Rentals, Interest and Dividends, Communications Services Tax, Legacy and Succession, Real Estate Transfer Tax and Tobacco Tax. The Discovery Bureau is responsible for computer matches to locate non-filers and/or under reporters, as well as, fiscal notes.

The divisions' primary function is auditing documents filed with the department. Other activities include using computer matches of data from the Internal Revenue Service and other state or federal agencies to locate individuals or businesses who have a taxable presence in our state but failed to file required forms. The division is currently developing greater coordinated efforts with the Internal Revenue Service in sharing more information to assist each other in tax enforcement responsibilities such as joint audits, joint training and providing leads and information. The division and the Internal Revenue Service's Small Business/Self-Employed Group has entered into a Memorandum of Understanding to begin joint audits during fiscal year 2002. The division is an active member of various working groups established by the North Eastern States Tax Officials Association to review common issues to find uniform methods of resolving problem areas. We provide speaker's for various presentations throughout the year, respond to technical questions by taxpayers and preparers, assist other state agencies, draft rules and participate in user testing.

**Financial:** For fiscal year 2001, the available appropriation was \$3.6m, actual expenditure was \$3.4m, personnel costs \$3.2m and out of state travel was \$127,000. The revenue generated from additional assessments last year were \$16m. The collection amount last year was \$15m and the division issued \$267,000 in refunds.

**Compliance Efforts:** In addition to return examinations, Revenue Discovery and Multi-State Nexus functions are responsible for the location of individuals or businesses who have a taxable presence in our State but have failed to file the required tax returns with the department. Information for this effort is gathered primarily from the Internal Revenue Service, NH Department of Employment Security, other states' Departments of Revenue, review of in-state news publications and referrals from our personnel based on their observations of taxable activities. Revenue Discovery activities added 836 new taxpayers to the tax rolls and generated \$875,000. Nexus activities added 193 new taxpayers and generated \$1,400,000 in additional revenue.

The Audit Division has continued various investigations in an effort to increase voluntary compliance with the state's tax laws. The division continued its efforts during the Motorcycle Week Festivities at Weirs Beach in June, the Winston Cup Series in Loudon and with the various agricultural fair associations. The division has assisted the Attorney General's Office in criminal tax investigations.



# AUTOMATED INFORMATION SYSTEMS

**FUNCTION:** Design, develop and maintain computer software to automate reiterative, labor intensive functions identified through continuing analysis of the department's work flow and needs. Purchase, install and maintain computer hardware necessary for efficient execution of the installed software.

**Mission:** To design, develop and maintain computer software to automate reiterative, labor-intensive functions throughout the department and to also purchase, install and maintain the computer hardware necessary for that software. Division projects are driven primarily by the user requirements of the department.

TLC is a steering committee that was developed in 1993. It is comprised of the Directors from the Document Processing Division, Audit Division, the Assistant Commissioner and Collections personnel. These four components were chosen because they are the primary divisions that the division supports for software development in relation to the Tax Information Management System (TIMS) system. The committee meets weekly to discuss day to day operations and yearly priorities each division's projects. The division follows a very defined system methodology to complete projects assigned by TLC.

TQM groups are utilized to annually review the division's processes ensuring that the division is performing efficiently.

**Meals & Rentals Redesign:** The redesign of the Meals & Rentals tax system was necessary due to the fact that the existing system was antiquated and continued data integrity was questionable. There were few edits on the system. The implementation of the redesigned system was successfully completed in February 2001.

**2-D Bar Code:** The division worked closely with the Document Processing Division to implement 2-D Bar Code. A consultant was hired to assist in this implementation and with the implementation of hardship relief.

**PC User Group:** A PC users group, in existence for several years, was established to help users resolve minor, straight forward, PC related issues faster and without the assistance of the AIS Division. This group also serves as a central communication point for all divisions to provide input on the future direction of hardware and software platforms including upgrades, new software requirements and networking requirements.

**Data Base Systems:** The division also established Microsoft Access as the departments standard for stand alone PC data base systems. Various users throughout the department were trained in the basic functions of Access. To augment this training an Access users group was established to provide on going support and to establish a resource for sharing information pertaining to Access. Additionally, aspects of database design have been standardized to aid in future sharing between divisions and to increase the capability of the AIS Division to support the final product as necessary.



# COLLECTIONS DIVISION

**FUNCTION:** To perform collection action on delinquent returns and payments for all taxes administered by the Department. Provide instruction and assistance to taxpayers during field visits.

**F**unction: The division's primary goal is the collection of delinquent tax returns and tax revenue. Collection activity mainly centers around the Business Profits Tax, Interest and Dividends Tax and Meals & Rentals Tax.

During the last year the division handled approximately 1,000 Business Profits and Interest and Dividends Tax cases, 5,000 Meals & Rentals Tax cases and approximately 250 miscellaneous tax cases. The miscellaneous tax cases can range from Tobacco, Private Car, Railroad Tax or Property Utility Tax. The division collected approximately \$12.3m in delinquent revenue.

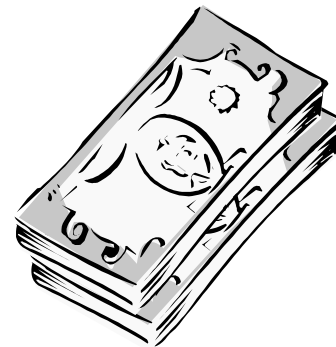
**Meals & Rentals Tax Computer Conversion:** During the past year the division has been actively involved in the redesign and testing of the Meals & Rentals Tax system. Three of our field compliance officers were involved with this project. The division is responsible for the issuance and control of all operator's licenses. During the last year the division issued 1,143 new licenses (45% on a walk-in/immediate issue basis), distributed the tax workbooks to the operators, and assisted new businesses with tax compliance questions and problems.

During the past year, the department requested changes to the Meals and Rentals Tax law that would eliminate the \$5.00 license fee charged for each license application.

**Issuing of Federal Employee Identification Numbers (FEIN):** The division was selected to be the contact point within the department for a joint Federal/State taxpayer service program. This division can issue (*on a walk-in basis only*) the Federal Employee Identification Number which is required for Federal and State tax administration. During the last year, the division issued 65 Federal Employee Identification Number's to various taxpayers.

**Tobacco Tax:** The division administers the cigarette stamp program and is responsible for the ordering, inventory and distribution of all cigarette stamps which are sold to tobacco wholesalers. The wholesalers are responsible for affixing the stamps to the individual packs of cigarettes distributed in the state. During the past year, we processed 771 individual stamp requisitions. The division also monitors wholesaler bonds which enable them to purchase stamps on a 30 day charge basis. As a result of legislation which was passed and became effective on January 1, 2001 the division conducted a compliance project. During the course of our investigations, we seized 30,000 packages of illegal product.

**Real Estate Transfer Tax:** The division is responsible for ordering, inventory and distribution of the tax stamps to the ten county Register of Deeds offices throughout the state. Last year the division distributed 52,000 stamps to the county offices. The division is also the contact point to provide technical assistance to the various registry personnel and members of the general public.



# DOCUMENT PROCESSING DIVISION

**FUNCTION:** Send, receive, process, store, and retrieve all tax documents and electronic transactions filed with the department; respond to general taxpayer inquiries; and provide statistical and financial information.

**Reorganization:** In an effort to improve the efficiency and effectiveness of the Division, we reorganized this year into 2 Bureaus: The Operations Bureau, which consists of the Mail Room, Deposit Group, Data Entry Group and File Room and the Taxpayer Services Bureau, consisting of the Taxpayer Assistance Group and the Abatement Group.

**Mail Room and Deposit Group:** The Mail Room and Deposit Group continues to have a high percentage of turnover of staff, but with the assistance of the rest of the division the filing season went smoothly. Procedures were modified for 2D Bar Code processing at special work stations. The Group processed approximately 430,000 documents and deposited \$944m.

**2D Bar Coding:** For the first time this filing season, the Division processed Interest & Dividends tax returns and estimates with the new 2D Bar Coding technology. The Project Manager, Jan Wickens, coordinated a joint effort between the department's processing and information technology divisions, five software companies, and tax preparation professionals. We processed a total of 16,000 returns and 6,600 estimates in April, and another 6,400 estimates in June.

It takes less than 2 minutes to scan a batch of 25 returns, which consists of 40 unique fields per return. We estimate that for every 50 Interest and Dividends tax returns that are successfully scanned, the division saves more than 1 hour of data entry work or approximately 88% of the total processing time. A batch of 50 estimated tax vouchers takes 3.5 minutes to scan, saving 60% of total processing time. This time savings is passed on to taxpayers in the form of faster refunds, more accurate account information, and quicker notification of unreconciled balances.

**Data Entry & File Room:** Data Entry was also reorganized this year to promote more efficient work flow. In order to minimize data entry backlog, 5 temporary data entry clerks were hired for the summer, which allowed time for the experienced data entry clerks to work on error corrections. In addition, the implementation of the 2D bar coding program further reduced data entry backlog by 29,000 documents. The result is that information for mailing labels and forms 1099-G was available sooner and more time was available for data validation. There is no change in the electronic funds

transfer program, and the program was selected as the first to be converted to some other electronic method of filing. We now have four years of returns stored on premises and are able to destroy documents in accordance with our destruction procedures by moving them directly from the file room, instead of transferring them to Archives and validating destruction lists prepared by them, which caused additional work for everyone involved.

**Hardship Relief:** House Bill 338 provided for education property tax hardship relief to mitigate the economic burden on certain taxpayers of the new statewide property tax. The Hardship Bureau that was established was combined with the Division's Operations Bureau last year and processed 2,429 claims totaling \$752,674. The department settled or prevailed in 32 cases brought before the Board of Tax and Land Appeals.

**Taxpayer Assistance Group:** The taxpayer assistants answered 26% more taxpayer telephone inquiries than the previous year, and met with 300% more taxpayers in the lobby. Approximately 50% of the increase is due to the new auto-issue tax notice program for Interest and Dividends, Business Profits and Business Enterprise that was implemented in February along with the Meals and Rentals conversion and the remainder is due to the continuing activities of the Discovery Bureau. The Group approved about 20,000 refunds or offsets, 8,500 tax notices, and answered 11,000 telephone calls last year.

**Abatement & Problem Resolution Group:** The number of new requests for abatements and adjustments was 1,800, about the same as the prior year, but ending inventory increased 58% due to personnel turnover and complexity of the cases resolved. The Division settled or prevailed in 23 adjudicative hearings and has 10 cases currently pending.

**Miscellaneous Taxes:** The Meals & Rentals tax was converted to the AS400 on 2/05/01, which has increased the functionality, accuracy, and consistency of the administration of the tax. The Division is currently reconciling and reviewing accounts for accuracy. One of the new functions is automatic tax notices for checks or telefile transactions returned by the bank for insufficient funds. Programs to process the new Electricity Consumption Tax in an Access data base are currently being tested.

# MUNICIPAL SERVICES DIVISION

**FUNCTION:** Establish and approve municipal, school, county and village district tax rates. Provide technical assistance, relative to taxation and finance, to the political subdivisions of the state. Prescribe a uniform chart of accounts for all municipalities, schools, counties and village districts.

**Property Taxes:** The Municipal Services employees continued to travel to the municipalities to establish property taxes. The "On The Road" service is an opportunity to provide face to face technical assistance. After reviewing approximately 6,500 documents, municipal, school, state, county, and village district tax rates were established for over 240 towns and cities in the state.

**State Education Property Tax Warrants:** State Education Property Tax Warrants for the property tax year beginning April 1, 2001 were issued to each city, town, and applicable unincorporated place on November 9, 2000.

**Technical Assistance:** The division continued to provide municipal technical assistance to the legislature, citizens, and municipal officials such as business administrators, selectmen, village district commissioners, tax collectors, town clerks, planning boards, school boards and superintendents, school attorneys and administrators. This was accomplished via the telephone, workshops, meetings, newsletters, warrant article review, written packages provided to each municipality, liaisons with organizations, and one-on-one meetings. Recognizing that turnover in municipal leadership requires continuous training and education programs, the division will continue to provide quality technical assistance, training, and education for the municipal entities of this state.

**Training:** Training was provided to towns, cities, village districts, and school districts upon request. In addition, the division provided formal workshops and presentations. A sample of the formal workshops included four workshops for trustees of trust funds (in cooperation with the Charitable Trusts Division of the Attorney General's Office); seven workshops on the tax rate setting process, two

presentations to municipal attorneys; two workshops for newly elected/or appointed tax collectors; and a segment of five annual workshops for the New Hampshire Tax Collector's Association.

**Liaisons:** The division developed and maintained liaisons with various municipal organizations such as the New Hampshire Tax Collector's Association, New Hampshire City and Town Clerk's Association, New Hampshire Government Finance Officers Association and the New Hampshire Association of School Business Officials. These alliances enhance an understanding and acceptance of department policies and procedures.

**Report of Revolving Fund:** The revolving fund, established under RSA 21-J:24-a, VII, was used primarily for producing and printing the training manual for the tax collector workshops.

Beginning Fund Balance 7/1/00 .....	\$4,898.10
Expenditure: .....	164.28
Revenue: .....	<u>266.46</u>
Ending Fund Balance 6/30/01. . . . .	\$5,000.28



# PROPERTY APPRAISAL DIVISION

**FUNCTION:** To assist and train municipal officials on the appraisal and assessment of real property, Timber Tax and Excavation Tax; provide special appraisal services to state agencies; and equalize the local assessed valuation of property in each municipality for the apportionment of public taxes and the sharing of state revenues.

**Property Tax:** The property appraisal staff's duties have shifted dramatically from that of performing mass appraisal work to overseeing mass appraisal performed by others. The authority for this function is outlined in RSA 21-J:11. This year alone has seen the division overseeing some 64 separate reappraisal projects throughout New Hampshire. To help accomplish the division's new duties, the state has been sectioned into three distinct districts. Each district currently has four appraisal employees and a supervisor assigned to it. Each field employee is assigned a distinct group of communities within his or her district. In addition to overseeing appraisal work, each appraiser is responsible for working with their assigned towns to provide training and assistance to each community on their appraising and assessing practices. Where appropriate, they offer guidance and recommendations to help communities improve those practices.

**Equalization:** Sales-assessment ratio studies were prepared for each municipality as part of New Hampshire's Equalization process. The equalization ratio, a product of the annual ratio study, was used to adjust the modified assessed values of each municipality to compute the total equalized valuation for each municipality.

The total equalized valuation for the state increased from \$76m in 1999 to \$86m in 2000. This represents an all time high. This increase is the result of dramatically increased property values as well as new construction throughout the state.

**Electronic Filing:** One of the initiatives the department has been actively devoted to over the past several years is the electronic filing of assessment information by municipalities. Twelve municipalities, representing over 20% of the sales participated as part of the pilot program for the 2000 equalization year.

**Court Case:** On May 3, 2001, the Supreme Court ruled in the *Sirrell v. State of New Hampshire* case that the State Education Property Tax was constitutional. However, the Court ordered the State to implement appropriate enforcement measures to ensure that each municipality assessed property within its borders every five years.

The state legislature, the property tax working group and the Department have been working to comply with the court's order. New legislation has been adopted that created the Assessing Standards Board whose purpose is to set standards for the levels of assessment and uniformity and publish an assessment manual for use by assessing officials. The legislation also created the Equalization Standards Boards whose purpose is to review equalization procedures, set standards for conducting ratio studies, and publish an equalization manual. Finally, the legislation created the certification process which will ensure that municipalities have met standards adopted by the Assessing Standards Board.

**Utility Property Tax:** This tax was enacted in 1999 under Chapter 82:F, requiring an appraisal of all electric, water, sewer, gas and oil pipeline utility property as defined in that chapter. Tax bills based on a uniform rate of \$6.60 are then computed for each utility company and sent on December 15. The revenue from this tax is deposited in the Education Trust Fund.

**Railroad Tax:** This long time tax is assessed at the average rate of taxation in New Hampshire and is distributed, one half to the NH General Fund, 1/4 to the towns where the railroad property is located, and 1/4 to the Special NH Department of Transportation Railroad Fund.

**Timber Tax:** For the 2000 tax year, the division processed 4,600 "Notice of Intent to Cut Timber" forms. All proceeds from this tax are retained at the local level.

**Excavation and Excavation Activity Tax:** Excavation Tax personnel processed 805 "Intents to Excavate" for the 2000 tax year. All proceeds from this tax are retained at the local level.

## TOTAL EQUALIZED VALUATIONS FOR 1991 - 2000

<u>YEAR</u>	<u>TOTAL EQUALIZED VALUE</u>
1991	67,377,161,998
1992	62,517,989,065
1993	60,372,130,552
1994	60,548,789,856
1995	61,338,461,072
1996	62,883,249,226
1997	65,331,718,839
1998	70,239,890,979
1999	76,154,469,147
2000	86,703,541,057

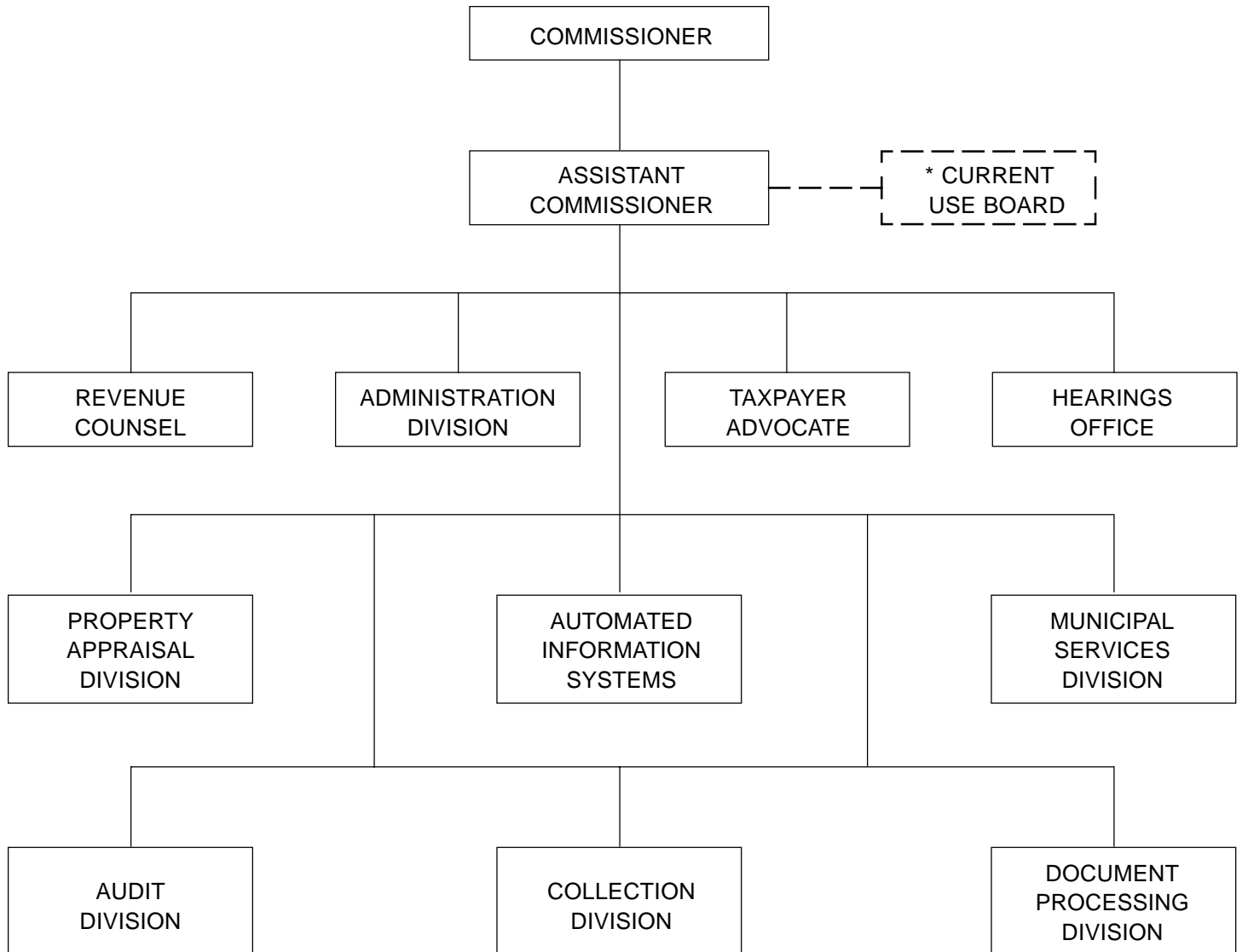
## TOTAL EQ. VAL. EXCLUDING UTILITIES USED TO APPORTION THE STATE EDUCATION PROPERTY TAX

1998	66,988,613,263
1999	73,196,682,063
2000	83,737,423,488

# NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION

## Organizational Chart

June 30, 2001

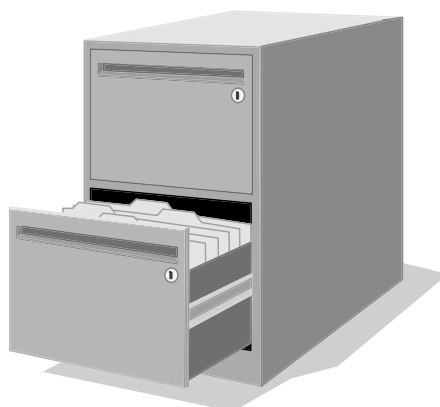


\*Administratively Attached

# ADMINISTRATION DATA

## DEPARTMENT PERSONNEL DATA

CURRENT NUMBER OF EMPLOYEES	FY 6/30/00	FY 6/30/01
1. Unclassified	21	20
2. Classified	137	164
3. Full-Time Temporary	-0-	6
4. Part-Time Temporary	-0-	1
<b>TOTAL</b>	<b>158</b>	<b>191</b>



## PHYSICAL PLANT AND PROPERTY APPRAISAL DATA

ACQUISITION VALUE AS OF JUNE 30	FY 6/30/00	FY 6/30/01
1. Equipment	\$2,289,330	\$2,197,669
1a. Motor Vehicles	\$336,392	\$360,406
2. Physical Plant	-0-	-0-
3. Farm	-0-	-0-
4. Highways	-0-	-0-
<b>TOTAL</b>	<b>\$2,625,722</b>	<b>\$2,558,075</b>



# RECEIPTS AND EXPENDITURES

FISCAL YEARS ENDING	FYE 6/30/00	FYE 6/30/01	Percentage of Change + (-)
<b>RECEIPTS</b>			
1. Tax Collections	*857,622,605	*902,422,564	5.22%
2. Federal Funds	0	0	0
3. Fees & Registration			
a. License Fees	71,150	36,095	-49.27%
b. Property Appraisal	215,235	103,429	-51.95%
4. All Other Sources			
<b>TOTAL RECEIPTS</b>	<b>\$857,908,990</b>	<b>\$902,562,088</b>	<b>5.20%</b>
<b>EXPENDITURES</b>			
1. Permanent Personnel			
Classified	4,825,115	5,024,151	4.13%
Unclassified	1,298,091	1,288,042	-0.77%
2. Benefits	1,805,297	2,093,035	15.94%
3. Other Personnel Services	3,506	6,307	79.88%
<b>SUB-TOTAL:</b>	<b>\$7,932,009</b>	<b>\$8,411,535</b>	<b>6.05%</b>
4. Current Expenses	896,138	881,131	-1.67%
5. Equipment	236,213	123,637	-47.66%
<b>SUB-TOTAL:</b>	<b>\$1,132,351</b>	<b>\$1,004,768</b>	<b>-11.27%</b>
6. Travel In-State	45,525	66,200	45.41%
7. Travel Out-of-State	144,873	150,211	3.68%
8. Miscellaneous	762,117	593,791	-22.09%
<b>SUBTOTAL</b>	<b>952,515</b>	<b>810,202</b>	<b>-14.94%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$10,016,875</b>	<b>\$10,226,505</b>	<b>2.09%</b>
<b>DISBURSEMENTS TO CITIES/TOWNS</b>			
1. Flood Control [RSA 122:4]	\$585,496	\$585,496	-0.00%
2. Forest Land [RSA 227-H:17]	292,132	252,430	-13.59%
3. Recreational Property [RSA 216-A:3-a]	4,802	1,664	-65.35%
4. City of Concord	81,380	81,380	0.00%
5. State Education Property Tax Municipal Administration Costs [CH 17, Law of 1999]	4,600,000	-0-	N/A
6. State Education Property Tax Municipal Computer Costs [CH 303, Laws of 1999]	238,812	58,585	N/A
<b>TOTAL DISBURSEMENTS TO CITIES/TOWNS</b>	<b>\$5,802,622</b>	<b>\$979,555</b>	<b>-83.12%</b>

\* Reduced by Medicaid Enhancement Tax revenues

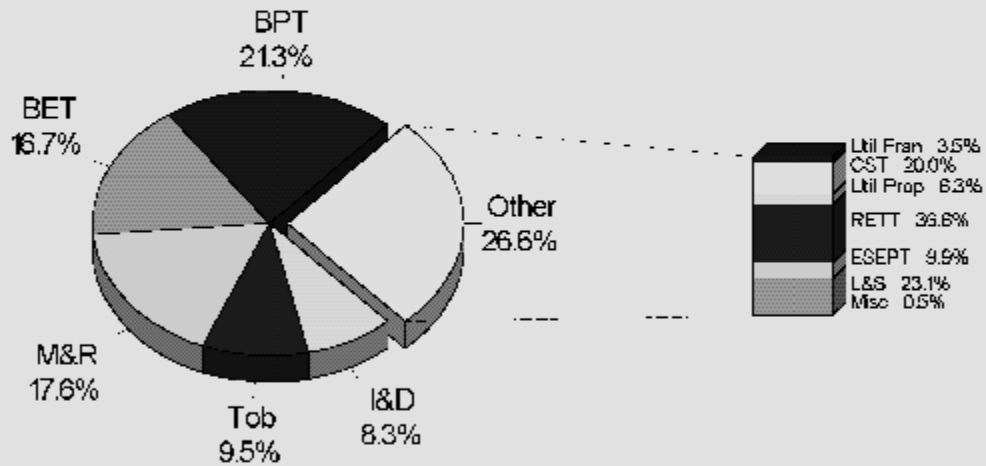
## REVENUE BY SOURCE

### (Net Income on a Cash Basis)

TYPE OF REVENUE	Fiscal Year Ending 6/30/00	Fiscal Year Ending 6/30/01	Increase (Decrease)
Business Profits Tax	166,180,915	197,642,774	31,461,859
Business Enterprise Tax	147,557,955	154,828,834	7,270,879
Meals & Rentals Tax	153,311,197	163,049,648	9,738,451
Tobacco Tax	92,570,165	87,959,255	(4,610,910)
Interest & Dividends Tax	65,203,307	76,842,273	11,638,966
Estate & Legacy Taxes	60,635,156	57,064,323	(3,570,833)
Communications Services and Telephone Taxes	47,416,610	49,256,789	1,840,179
Real Estate Transfer Tax	82,864,095	90,350,287	7,486,192
Excess State Education Property Tax	24,149,942	24,528,663	378,721
Utility Property Tax	31,167,539	15,625,403	(15,542,136)
Utility Franchise Tax	9,974,424	8,731,743	(1,242,681)
Other Revenue (includes Railroads)	1,027,627	1,210,757	183,130
<b>SUBTOTAL</b>	<b>\$882,058,932</b>	<b>\$927,090,749</b>	<b>\$45,031,817</b>
<b>TRANSFERS TO EDUCATION TRUST FUND FROM:</b>			
Business Profits Tax	(22,400,000)	(15,800,000)	(6,600,000)
Business Enterprise Tax	(54,000,000)	(36,700,000)	(17,300,000)
Meals & Rentals Tax	(5,683,327)	(7,524,960)	1,841,633
Real Estate Transfer Tax	(25,169,021)	(32,904,169)	7,735,148
Tobacco Tax	(24,209,040)	(27,791,089)	3,582,049
Excess State Education Property Tax	(24,149,942)	(24,484,451)	334,509
Utility Property Tax	(31,166,164)	(15,620,914)	(15,545,250)
<b>SUBTOTAL</b>	<b>(53,566,164)</b>	<b>(160,825,584)</b>	<b>(25,951,910)</b>
<b>TOTAL TO GENERAL FUND</b>	<b>\$828,492,768</b>	<b>\$766,265,166</b>	<b>\$70,983,728</b>

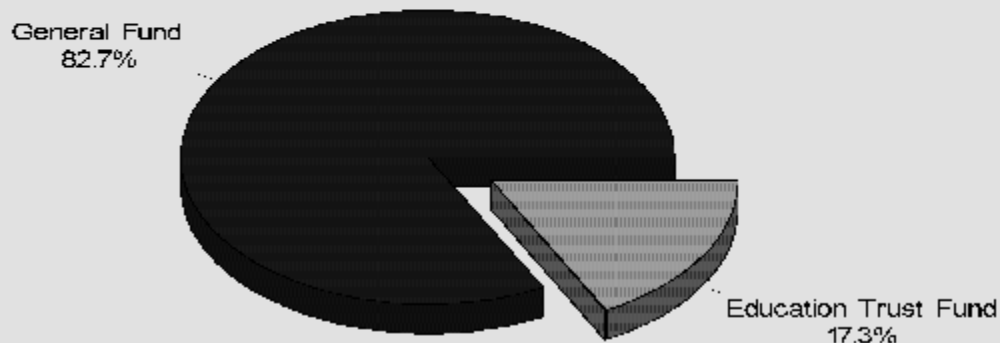
# TOTAL REVENUE BY SOURCE

NET INCOME ON A CASH BASIS



ESEPT = Excess State Education Property Tax

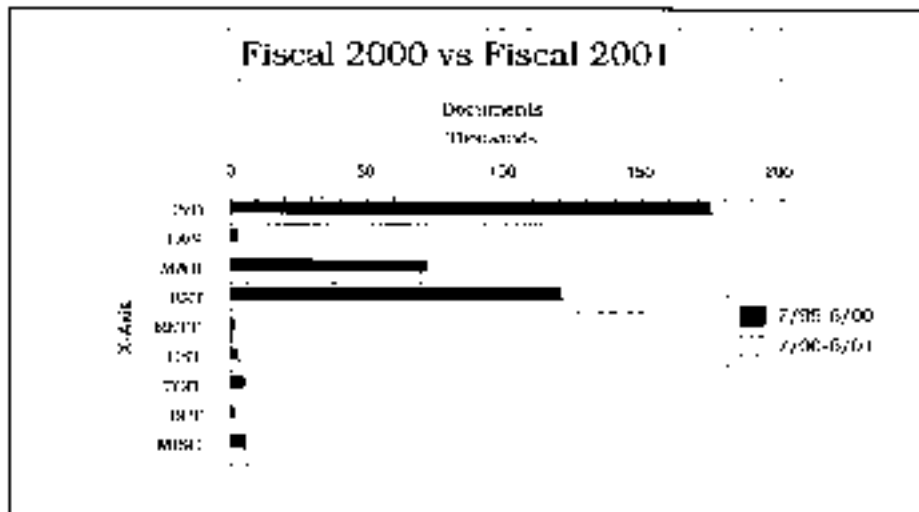
## GENERAL FUND VS EDUCATION TRUST FUND



# STATISTICS RELATIVE TO TOTAL FY 2001 REVENUE COLLECTIONS

FISCAL YEAR	PERSONNEL EXPENDITURE		REVENUE COLLECTED		ESTIMATED COST OF EACH DOLLAR COLLECTED
FY 86	3.2 Million	÷	303.5 Million	=	.011
FY 87	3.5 Million	÷	365.9 Million	=	.010
FY 88	3.6 Million	÷	359.1 Million	=	.010
FY 89	4.2 Million	÷	382.2 Million	=	.011
FY 90	4.8 Million	÷	363.6 Million	=	.013
FY 91	5.2 Million	÷	377.3 Million	=	.014
FY 92	5.8 Million	÷	373.8 Million	=	.016
FY 93	5.9 Million	÷	405.3 Million	=	.015
FY 94	6.1 Million	÷	529.5 Million	=	.012
FY 95	6.7 Million	÷	495.4 Million	=	.014
FY 96	6.8 Million	÷	505.6 Million	=	.013
FY 97	6.9 Million	÷	562.6 Million	=	.012
FY 98	6.8 Million	÷	650.4 Million	=	.010
FY 99	6.8 Million	÷	686.6 Million	=	.010
FY 00	7.9 Million	÷	857.9 Million	=	.009
FY 01	8.4 Million	÷	902.6 Million	0	.009

Number of Documents Per Tax Type



# LEGISLATION FROM THE 2001 SESSION WHICH IMPACTED THE DEPARTMENT OF REVENUE ADMINISTRATION

CHAPTER#	CONTENT
0002	Relative to obligations of county governments.
0003	Relative to paper purchased by or for state agencies.
0023	Extending the reporting deadlines for certain study committees and commissions.
0031	Establishing a committee to study encryption of confidential information.
0035	Relative to the establishment of a town forest in the town of Randolph and relative to property of preexisting school districts.
0049	Relative to the definition of "campsite".
0053	Relative to the abatement of taxes in unincorporated towns or unorganized places.
0054	Relative to collateralization of municipal trust funds.
0055	Establishing a committee to study methods of strengthening and clarifying the comprehensive shoreland protection act and its application.
0063	Relative to the amount of interest on late paid property taxes which may be waived by the tax collector.
0065	Establishing a study committee relative to the regulation and compensation of persons licensed under the real estate practice act.
0067	Relative to persons with disabilities participating in the work incentive program.
0070	Relative to the amount of the homestead right.
0071	Relative to municipal budget hearings, recommendations, and reports.
0078	Relative to assessment of service charges by municipalities and counties that accept credit cards for payment of local taxes, utility charges, or other fees.
0080	Relative to the preparation of town ballots.
0090	Relative to the procedure for appeal of a timber yield assessment and relative to the notice of intent to cut.
0098	Establishing a procedure for summary administration of estates.
0106	Relative to exceptions to the confidentiality of certain department of employment security records.

<b>CHAPTER#</b>	<b>CONTENT</b>
0108	Setting the rate for the medicaid enhancement tax for the biennium ending June 30, 2003.
0110	Relative to fiscal impact statements for proposed administrative rules prepared by the legislative budget assistant and relative to certain periods for review by the joint legislative committee on administrative rules.
0127	Relative to the calculation of stumpage value in determining the timber tax assessment.
0158	Relative to state fees, funds, revenues, and expenditures.
0182	Exempting certain short term condominium unit owners' association rentals from the New Hampshire real estate practice act.
0187	Relative to the acquisition of land by a town.
0195	Relative to administration of estates and filing of wills by executors.
0199	Changing the license requirement for operators collecting the meals and rooms tax and relative to a property tax exemption for the Woman's Club of Concord.
0210	Relative to education property tax hardship relief.
0211	Making certain changes to the excavation tax and excavation activity tax.
0223	Making state-appointed advisory committees subject to the right-to-know law.
0234	Relative to leasing certain portions of railroad properties and relative to the definition and taxation of amusement railroads.
0248	Relative to requirements for nonpublic utility providers of telephone services and competitive telecommunications providers, and relative to the information technology management advisory board.
0256	Relative to the duties of the committee to study the consumer protection effort in New Hampshire, relative to the membership of the long-term care board, and establishing a task force on privacy issues.
0261	Relative to termination of small trusts.
0265	Relative to uniform electronic transactions.
0272	Relative to holding sessions for correction of checklists.
0274	Clarifying the penalties for violations of statutes or ordinances where no penalty is specified.
0280	Relative to certain penalties for violations of the youth tobacco laws and establishing a committee to study the feasibility of transferring some of the responsibilities currently held by the commissioner of the department of revenue administration under RSA 78 to the liquor commission.
0291	Relative to compensation for time lost by state employees injured in the line of duty.
0297	Relative to changes in the property tax system and making an appropriation therefor.

# DECLARATORY RULINGS AND ADMINISTRATIVE RULES ADOPTED

<b>Doc. #</b>	<b>Rule Number &amp; Content</b>	<b>Eff. Date</b>	<b>Exp. Date</b>
7458	Declaratory Ruling - NH tax treatment of a proposed merger of a single member limited liability company into its corporate member.	02/26/01	
7530	Declaratory Ruling - Are lease interests subject to transfer taxes if the lease interests are proven to be exempt under Rev. 802.01 (f)	07/17/01	
7531	Declaratory Ruling - The application of the real estate transfer tax to the transfer of several properties between the related parties through a consolidation and liquidation of two corporations.	07/17/01	
7365	Rev. 1200 - Permanent Rules - Education Property Tax Hardship Relief	09/19/01	09/19/08
7381	Rev. 500 - Excavation Tax and Excavation Activity Tax - Readopt with amendments	10/24/00	10/24/08
7410	Rev. 400 - Credits and Exemptions - Readopt and renumber with amendments	11/23/00	11/23/08
7479	Rev. 2600 - Electricity Consumption Tax - Adopt	04/24/01	04/24/09
7075	Rev 700 - Meals and Rentals Tax - Readopt	06/19/01	06/19/09

# DURING FISCAL YEAR 2001, THE DEPARTMENT ISSUED THE FOLLOWING TECHNICAL INFORMATION RELEASES (TIR's)

<b>TIR #</b>	<b>Date Issued</b>	<b>Subject</b>
2000-006	09/11/00	New Interest Rates Set
2000-007	09/18/00	Supreme Court Ruling - alternative lien procedure under RSA 80:58-87 is unconstitutional
2001-01	01/19/01	"Grey Market" Tobacco Products. Change to RSA 78 Tobacco Tax, which effective January 1, 2001, restricts the sale of tobacco products.
2001-02	01/26/01	2D Bar Coding - New technology
2001-03	02/27/01	Land Use Change Tax
2001-04	02/27/01	Supreme Court Decision - Thomas Tool Services, Inc. v. Town of Croydon
2001-05	03/20/01	Current Use Forest Land Assessment Ranges
2001-06	04/09/01	Electricity Consumption Tax
2001-07	07/16/01	Meals & Rooms (Rentals) Tax (Operator Licenses)
2001-08	07/16/01	Communications Services Tax Rate Increase
2001-09	07/16/01	Chapter 158, Laws of 2001 - General Tax Changes
2001-010	07/26/01	New Interest Rates Set
2001-011	08/07/01	Property Tax Certification Process
2001-012	08/15/01	Current Use Forest Land Ranges
2001-013	09/05/01	Certification of Property Tax Assessments



## Taxpayer Advocate

**FUNCTION:** To work with the public and agency representatives to resolve taxpayer issues, recommend systemic improvements, and communicate tax-related information that encourages voluntary compliance through increased public awareness and understanding.

**T**axpayer Assistance: Requests for advocate assistance increased slightly from 347 requests last year to 385 requests this year. Individual's who have experienced a New Hampshire state tax problem that cannot be resolved through normal channels may seek assistance from the Taxpayer Advocate. Problem resolution is the most recognizable function of taxpayer advocate's across the country. Fortunately, however, most issues expressed by New Hampshire taxpayers were resolved by utilizing existing department resources. When appropriate, the Advocate facilitated resolution by recommending corrective action or systemic changes. The Advocate works cooperatively with taxpayer assistance representatives throughout the department to ensure that guidance and tax information is readily shared with the public in a consistent and efficient manner. The department continues to support taxpayer equity by providing this valuable service.

**Customer Education:** The Taxpayer Advocate, as the coordinator and facilitator of the department's Customer Education Committee, has worked with key members of the department this year to develop new and informative educational publications. Frequently asked questions and answers (FAQs) were compiled concerning tax notices, each state tax, the hearings office, general concerns and other subject areas taxpayers commonly inquire about. These FAQs were drafted into web pages as well as brochure format for dissemination to the public. The committee is also working on standardizing presentations and reviewing department educational initiatives to ensure accurate, timely, and consistent messages are disseminated to the public. The best way to ensure voluntary taxpayer compliance is to increase their awareness through improved customer education. Continued work with management will result in new and improved ways to accomplish this goal.

**Web Site Publication:** Visit our web site at [www.state.nh.us/revenue](http://www.state.nh.us/revenue) and you will find a comprehensive list of state tax information we make available to the public. The Taxpayer Advocate is responsible for ensuring that the content and publication of state tax information on our web site is accurate and readily available. The Advocate serves as our agency's web publisher. This web has been improved and updated with timely information concerning our state taxes over the past year. For instance, Property Tax Working Group developments were published daily as this group worked toward proposing improvements to our existing state property tax system. The laws, rules, and technical information release page was redesigned to provide more efficient access. The number of visitors has continued to increase and spiked during our busy tax filing season as individuals and businesses accessed and downloaded the many state tax forms available via the web. The Taxpayer Advocate will continue to work closely with agency representatives into the next year to provide valuable state tax and revenue information through the use of the Internet.

**Tax Forms Development:** As the Forms Committee Chair, the Advocate coordinated annual updates to most department administered tax forms. The Advocate worked with this group of professionals representing each division to continually review, update and improve New Hampshire state tax forms and publish them to our web.

# SUMMARY OF ADJUDICATIVE PROCEEDINGS HEARINGS BUREAU

During FY 2001, the Hearings Bureau continued to reduce the number of open cases and again increased the number of timely Final Orders issued. The table below shows the changes in various operational parameters which describe the case load of the Bureau, the types of cases reviewed, and the percentage of change in those categories from FY'00. While the Bureau's case load and case type composition has not shifted dramatically, the Bureau's goals for FY'02 include attempting to more efficiently and quickly process cases to allow capacity for other work. Such work includes that which may be occasioned by new revenue sources, or other Department programs, such as petitions for municipal reassessment to the Board of Tax and Land Appeals currently processed by the Hearing Officer in conjunction with the Property Appraisal Division.

The following statistics summarize the activity of the Hearings Bureau during the past year:

	FY00	FY01	%Change
Appeals filed	112	118	5.35%
Cases closed	122	128	4.91%
Cases appealed to Superior Court, BTLA or Supreme Court <sup>1</sup>	1	22	1
Final Orders issued	37	50	35.1%
Cases open as of 6/30/01	121	113	(7.07%)

FINAL ORDERS ISSUED FOR THE PERIOD 7/1/99 THROUGH 6/30/00			
Business Taxes	12	16	33.3%
Meals and Rentals Tax	5	12	240%
Interest and Dividends Tax	7	7	0%
Legacy and Succession Tax	8	13	62.5%
Municipal Taxes	3	2	(33.3%)
Communications Services Taxes	2	0	(100%)
<b>TOTAL ORDERS ISSUED</b>	<b>37</b>	<b>50</b>	<b>35.1%</b>



## APPEALS

For appeals on taxes administered by the department, contact:  
**Dept. of Revenue Administration, HEARINGS BUREAU**  
**State House Annex, Room 202A, Concord, NH 03301**  
**Telephone: (603) 271-1304**

<sup>1</sup> This parameter has been changed to reflect open appeals rather than appeals filed in one year. This is a more relevant figure as appeals are not necessarily resolved within one year.

## GENERAL TAX INFORMATION

The following information should be utilized for general tax information purposes and should not be construed to be all inclusive or complete in legal text. Since the rates, percentages and other aspects of taxation are susceptible to change, it is recommended that any interested person inquire of this department for current information.

COMMISSIONER ..... Stanley R. Arnold ..... (603) 271-2318

ASSISTANT COMMISSIONER ..... Barbara T. Reid ..... (603) 271-2318

TAXPAYER ADVOCATE ..... Robin Boynton ..... (603) 271-8481

TAXPAYER ASSISTANCE OFFICE ..... (603) 271-2186

STATE TAX FORMS ..... (603) 271-2192

TTY/TDD Relay Services for deaf and speech impaired individuals ..... (800) 735-2964

FAX **No tax forms, schedules, municipal forms or reports shall be sent or accepted via facsimile** ..... (603) 271-6121

FOR COPIES OF FORMS, LAWS & ADMINISTRATIVE RULES:

WEB SITE ADDRESS ..... <http://www.state.nh.us/revenue>

STATE LIBRARY, 20 Park St, Concord, NH 03301 (fee charged) ..... (603) 271-2239

FOR COPIES OF ADMINISTRATIVE RULES ON DISK, SEND A DISK & SELF-ADDRESSED, STAMPED ENVELOPE TO: NH Department of Revenue, 45 Chenell Drive, Concord, NH 03301 and indicate the appropriate format.



# SUMMARY OF TAXES ADMINISTERED BY THE DEPARTMENT

## **BUSINESS PROFITS TAX** **RSA 77-A**

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The BPT has historically been the largest source of general fund revenue. Enacted in 1970 as a replacement for the municipal property tax on stock-in-trade, farm livestock, poultry, fuel pumps, mills and machinery, the initial rate was established at 6%. The rate steadily increased to a high of 9.56% in FY 1983 (this was a combination of the base rate, plus an added surtax). The rate then decreased to a 7% rate which was achieved at the beginning of FY 1995. The rate, increased to 8% for tax years ending on or after 7/1/99, pursuant to Chapter 17, Laws of 1999. The current rate, pursuant to Chapter 158, Laws of 2001, increased to 8.5%, effective for all returns and taxes due on account of taxable periods ending on or after July 1, 2001. This tax is assessed on income from conducting business activity within the state. For multi-state businesses, income is apportioned, using a weighted sales factor of 2 and the standard payroll and property factors. Organizations operating a unitary business must use combined reporting in filing their NH return. Four annual estimate payments are required, paid at 25% each. Proprietorship, partnership and fiduciary returns are due on April 15th or the 15th day of the 4th month following the end of the taxable year. Corporate returns are due on March 15th or the 15th day of the 3rd month following the end of the taxable year. Organizations with \$50,000 or less of gross receipts from all their activities are not required to file a return.

## **BUSINESS ENTERPRISE TAX** **RSA 77-E**

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In 1993, a 0.25% (.0025) tax was enacted on taxable enterprise value tax base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid by the business enterprise after special adjustments and apportionment. Chapter 17, Laws of 1999 increased the rate from 0.25% to 0.5%. The current rate, pursuant to Chapter 158, Laws of 2001, effective for all returns and taxes due on account of taxable periods ending on or after July 1, 2001, increased to 0.75%. Also, the filing threshold increased to \$150,000 of gross business receipts or \$75,000 of the enterprise value tax base. Four

annual estimate payments are required, paid at 25% each on the 15th day of the 4th, 6th, 9th and 12th months of the taxable year, effective with the first estimate payment for the 1997 tax year. The tax return is due at the same time the Business Profits Tax return is due.

## **COMMUNICATION SERVICE TAX** **RSA 82-A**

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First enacted in 1990, this 5.5% tax is assessed upon two-way communications services effective for all two way communications services prior to June 30, 2001. Chapter 158, Laws of 2001, increased the permanent portion of the tax to 4.5% from the current 3% and continued the surtax of 2.5%, resulting in an overall tax rate of 7% for the period beginning July 1, 2001 and ending June 30, 2003. Retailers must register with the department and are required to collect the tax. Returns must be filed on a monthly basis unless the average monthly liability is less than \$10,000. An estimated payment equal to 90% of the actual tax collected is due on or before the 15th day of the month during which the liability is incurred.

## **INTEREST & DIVIDENDS TAX** **RSA 77**

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The I&D tax was first enacted in 1923, and applied a tax based on the "average rate of property taxation" upon the I&D income received by NH residents from sources other than NH and Vermont banks. The tax was changed significantly in FY 1995 to eliminate the exemption on income from NH and Vermont banks. In conjunction with this change, the personal exemption was increased from \$1,200 to \$2,400. The exemption for joint filers increased from \$2,400 to \$4,800. Estimated tax payments are due 4/15, 6/15, 9/15 & 1/15 on tax liabilities greater than \$200. The tax return is due on April 15th. The additional \$1,200 exemptions, available for residents who are 65 years of age; who are blind; and, who are handicapped and unable to work, provided they have not reached their 65th birthday were unchanged. The current tax rate of 5% has remained the same since FY 1977.

**LEGACY & SUCCESSION TAX**  
**RSA 86 Legacy & Succession**  
**RSA 87 Estate Taxes RSA 89**  
**Transfer Tax on Personal Property**  
**of a Non-Resident Decedent**

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The Legacy & Succession Tax was first enacted in 1905. The current tax rate of 18% is assessed upon property passing to collaterals or strangers of the blood. There is a 2% tax on all personal property within the jurisdiction of the state which belonged to non-residents. No tax is assessed on any amount passing to spouse, lineal ascendants and descendants (including children & grandchildren by adoption, step-children & step-grandchildren) and their spouses, or charities. An Estate Tax is provided to absorb the difference between state taxes and the credit allowable against the federal estate tax. The administrator or executor of the estate has total compliance responsibility for timely filing the return and paying taxes owed. Chapter 158, Laws of 2001 repealed the Legacy and Succession Tax for property passing as a result of deaths occurring on or after January 1, 2003.

**MEALS & RENTALS TAX**  
**RSA 78-A**

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The M&R tax was enacted in 1967 at a rate of 5%. Currently at 8%, the tax is assessed upon patrons of hotels and restaurants, on rents and upon meals costing \$.36 or more. Chapter 17, Laws of 1999, amended the language to include an 8% tax on the "gross rental receipts" from the rental of motor vehicles, effective 7/1/99. The tax is paid by the consumer to an authorized M&R operator. An M&R Tax Operator's License is required. The operator maintains books and records showing the amount of tax collected and remits the tax monthly to the state, less a 3% commission.

**REAL ESTATE TRANSFER TAX**  
**RSA 78-B**

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The Real Estate Transfer tax was first enacted in 1967. Chapter 17 of the Laws of 1999 increased the permanent tax rate assessed on the sale, granting, and transfer of real estate and any interest in real estate to \$.75 per \$100, or fractional part thereof, of the price or consideration. This rate is assessed on both the buyer and seller for a total tax rate of \$1.50 per \$100. Where the

price or consideration is \$4,000 or less, there shall be a minimum tax of \$20 which is assessed on both the buyer and seller. Chapter 158, Laws of 2001, removed the exception from the tax on transfer of real property for transfers of title pursuant to a merger, consolidation or other reorganization qualifying as a tax-free reorganization. It also removed the exception of the transfer of title from one business entity to another, the ownership interest of which may be the same. These changes are effective for transfers occurring on or after July 1, 2001. The tax is paid at the Register of Deeds office in the county where the property is located. A Declaration of Consideration (Form CD-57) must be filed with the Department of Revenue Administration. Form CD-57 is available at each County office or may be obtained by calling the Collection Division or Taxpayer Assistance.

**STATE EDUCATION PROPERTY TAX**  
**RSA 76:3**

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Under Chapter 17, Laws of 1999, the state education property tax was established. The tax is assessed and collected by municipalities. The rate is \$6.60 per thousand of equalized valuation. It appears on the same bill with the other property taxes administered at the local level. The effective date of this tax was April 1, 1999. Chapter 158, Laws of 2001 reduced the rate from \$6.60 per \$1,000 of value to \$5.80 per \$1,000 of value beginning with the April 1, 2002 tax year (school year 7/1/02-6/30/03). The sunset provision of the State Education Property Tax was repealed, making the tax a permanent revenue source dedicated to funding education.

**UTILITY PROPERTY TAX**  
**RSA 83-F**

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Utility property is defined as "all real estate, buildings, and structures, machinery, dynamos, apparatus, poles, wires, fixtures of all kinds and descriptions, and pipe lines located within New Hampshire employed in the generation, production, supply, distribution, transmission, or transportation of electric powered or natural gas, crude petroleum and refined petroleum products or combination thereof, water, or sewage." The tax rate is \$6.60 per \$1,000 of value of utility property. On December 1 of each year the department determines the value of utility property as of the previous April 1. The effective date was April 1, 1999.

# GENERAL INFORMATION ON THE ADMINISTRATION OF LOCAL PROPERTY TAXES

**REAL ESTATE TAX (RSA 76)** Property taxes, based upon assessed valuation, are assessed, levied and collected by cities and towns. Current Use assessment (RSA 79-A) is available for land qualifying in the following categories: Farm Land, Forest Land, Unproductive Land. Applications for Current Use must be filed with the local assessing officials on or before April 15th.

## TAX EXEMPTION, CREDIT AND DEFERRAL AGAINST PROPERTY TAXES

**Application Date:** The permanent application (Form PA-29) for tax exemption, credit and deferral is available from the local assessing officials. For the 2000 tax year, the application must be filed with the local assessing officials by March 1st, 2001, unless granted an extension pursuant to RSA 76:16-d.

**Option:** Effective January 1, 1998, RSA 72:33, I allowed municipalities, through town meeting or a city council, to adopt August 1st as the filing date for the Elderly Exemption. Please check with the municipality to determine specific filing dates.

**Elderly Exemption:** Effective July 23, 1996, RSA 72:39-a replaced the Standard, Expanded, Adjusted and Optional Adjusted Elderly. The statute sets the minimum exemptions, and the cities and towns may modify them. The statutory exemption levels for all municipalities are listed below, with the amounts *to be adopted by the city or town*, for the:

- Amount of exemption from value of residential real estate: Ages 65-74; 75-79; and 80+
- Net Income Limits, including Social Security Income or pension payments
- Net Asset Limits

**Blind Exemption:** (RSA 72:37) The exemption for the legally blind must be adopted by the municipality. The exemption is a minimum \$15,000 reduction of the assessed value of the residential real estate (RSA 72:29) and could be higher if amended through referendum vote.

**Deferral for the Elderly or Disabled:** (RSA 72:38-a) The assessing officials "... may annually grant a person qualified under this paragraph a tax deferral..." Property taxes are deferred and accrue interest at the rate of 5% per annum. The deferred property tax may not exceed more than 85% of the equity value of the residence. If granted by the assessing officials, the deferral is available to any resident property owner who is 65 years or older, or eligible for benefits for the totally and permanently disabled under the federal social security act, has owned the home for at least five years, and is currently residing there.

**Veterans Tax Credit:** (RSA 72:28) Qualifying residents shall receive the following amounts deducted from their tax bills:

- \$ 50: Basic credit available to all veterans.
- \$700: For the surviving spouse of a veteran, pursuant to RSA 72:29-a, and veterans having a total and permanent service-connected disability pursuant to RSA 72:35

*Towns may adopt a local option to increase the above dollar amounts to \$100 and \$1,400.*

**Disability Exemption:** Residents who qualify under RSA 72:36-a as totally and permanently disabled from service connection, and is paraplegic or having double amputation from military service connected disability or blind (5/200 vision or less) as a result of service connection, and owning a specially adapted home acquired with V.A. assistance are exempt from all taxation on that home.

**Tax Exemption for Improvements to  
Assist Persons with Disabilities:  
RSA 72:37-a**

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This exemption is limited to a physically handicapped person who resides at the residential real estate, and is applicable only upon the value of any special aids required by the resident to enable them to propel themselves.

**Tax Exemption for Wind-powered, Solar  
and Woodheating Energy System:  
RSA's 72:66, 72:62, 72:70**

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These exemptions are optional to the cities and towns, and must be voted upon locally. If further information is required, contact the assessing officials of the municipality.

**Tax Exemption for the Disabled:  
RSA 72:37-b**

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Available to persons eligible under the Social Security Act for benefits to the Totally & Permanently Disabled. Applicable only on the applicant's principal place of abode. The exemption is optional and must be voted on by the municipality, which also determines the amount of the exemption and the income/asset limitations.

**PROPERTY ASSESSMENT  
QUESTIONS:**

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If you have questions about your local property tax assessment, please contact your local assessing officials.